WEEKLY ECONOMIC REVIEW

AUGUST 12, 2005

The price of oil reached a record high of over US$66 a barrel in trading this week. Uncertainty surrounding developments in the Middle East, combined with the International Energy Agency's downward revision of supply expectations supported the recent rally.

Strong oil prices and the Canadian dollar being included as part of the basket of curriences against which the Chinese yuan is valued supported the Canadian dollar this week. The loonie was trading above 83 cents Friday morning.

Canada's trade surplus rose sharply to just under $5 billion in June (from $4.4 billion in May). Exports increased by 1.8% in June to $37.2 billion (its highest level since July 2004), while imports rose a modest 0.2%. Energy exports increased by 4.3%, the largest gain among the major goods categories. Energy accounts for 17.5% of total exports, more than double what it was a decade ago.

After four years of dispute, a NAFTA extraordinary challenge committee ruled against the United States claim Canadian softwood lumber exports were being subsidized. Negotiations between Canada and the United States are expected next week to discuss the repayment of the duty collected on Canadian softwood lumber exports over the past three years.

Cdn Dollar (C¢/US$)

Aug 12, 2005	83.7¢
Aug 5, 2005	82.1¢
2005-06 YTD	80.9¢

WTI Oil SUS/bbl

Aug 11, 2005	$65.80
Aug 4, 2005	$61.38
2005-06 YTD	$55.43

Nymex Natural Gas CS/mcf*

September Contract

Aug 12, 2005	$11.38
Aug 5, 2005	$10.44

*Estimate based on Nymex Futures Market Price

The U.S. trade deficit widened in June to $58.8 billion, up from May's revised deficit of $55.4 billion. The U.S. trade deficit with China increased to $17.6 billion in June, accounting for approximately 30% of the total U.S. trade deficit. The U.S. trade deficit with Canada accounted for 8% of the total.

Economic Indicators Released This Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Canadian International Merchandise Trade ($ millions)	**June**			
Exports	37,232	1.8%	-2.1%	2.5%
Imports	32,283	0.2%	5.8%	7.7%
Trade Balance	4,949	13.7%	-34.2%	-23.4%
Building Permits ($ millions)	**June**			
Alberta	734	-5.8%	33.9%	42.5%
Canada	5,046	1.5%	-5.0%	10.5%
Preliminary Housing Starts (SAAR)[2]	**July**			
Alberta	35,500	3.5%	8.6%	11.1%
Canada	242,300	0.4%	7.9%	-0.4%

Source: Statistics Canada

[1] *Year-to-date 2005 compared to the same time period in 2004. For example: January-June 2005 versus January-June 2004.*

[2] *Seasonally Adjusted at Annual Rates*